

**Rating Action: Moody's upgrades 73 tranches' ratings in 46 Spanish RMBS**

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London, 11 December 2017 -- Moody's Investors Service ("Moody's") has today upgraded the ratings of 73 notes and affirmed the ratings of 60 notes in 46 Spanish RMBS deals.

Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBS\\_SF464407](http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF464407) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

Maximum achievable rating is Aa2(sf) for structured transactions in Spain, driven by Local Currency Ceiling (Aa2) of the country.

**RATINGS RATIONALE**

Please click on this link [http://www.moodys.com/viewresearchdoc.aspx?docid=PBS\\_SF464407](http://www.moodys.com/viewresearchdoc.aspx?docid=PBS_SF464407) for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

•Key Rationale for Action and Constraining Factor(s)

Upgrades are prompted by an increase in the credit enhancement available for the affected tranches and in some cases due to a decrease of the key collateral assumptions, namely the portfolio Expected Loss (EL) and Milan CE.

Revision of Key Collateral Assumptions

As part of the rating action, Moody's reassessed its lifetime loss expectation for the portfolio reflecting the collateral performance to date.

Moody's updated the MILAN CE assumption based on updated loan by loan data on the underlying pools and also due to the Minimum Expected Loss Multiple, a floor defined in Moody's updated methodology for rating EMEA RMBS transactions.

Please refer to the List of Affected Credit Ratings to see new assumptions.

Increase in Available Credit Enhancement

The increase in the available credit enhancement may be explained by deleveraging (e.x. sequential amortization and/or non-amortizing reserve funds and/or trapping of excess spread) and, in some cases, driven by the replenishment of the Reserve Funds which were partially or fully drawn in prior payment dates.

Moody's assessed the exposure to the swap counterparties. Moody's analysis considered the risks of additional losses on the notes if they were to become unhedged following a swap counterparty default by using the CR Assessment as reference point for swap counterparties.

Please refer to the List of Affected Credit Ratings to see notes constrained by swap counterparty risk.

The principal methodology used in these ratings was "Moody's Approach to Rating RMBS Using the MILAN Framework" published in September 2017. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

The analysis undertaken by Moody's at the initial assignment of these ratings for RMBS securities may focus on aspects that become less relevant or typically remain unchanged during the surveillance stage. Please see Moody's Approach to Rating RMBS Using the MILAN Framework for further information on Moody's analysis at the initial rating assignment and the on-going surveillance in RMBS.

Factors that would lead to an upgrade or downgrade of the ratings:

Factors or circumstances that could lead to an upgrade of the ratings include (1) performance of the underlying

collateral that is better than Moody's expected, (2) deleveraging of the capital structure and (3) improvements in the credit quality of the transaction counterparties and (4) a decrease in sovereign risk.

Factors or circumstances that could lead to a downgrade of the ratings include (1) an increase in sovereign risk (2) performance of the underlying collateral that is worse than Moody's expected, (3) deterioration in the notes' available credit enhancement and (4) deterioration in the credit quality of the transaction counterparties.

## REGULATORY DISCLOSURES

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- Releasing Office

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

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Lam Tran Ngoc  
Analyst  
Structured Finance Group  
Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Michelangelo Margaria  
Senior Vice President/Manager  
Structured Finance Group  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454

Releasing Office:  
Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom  
JOURNALISTS: 44 20 7772 5456  
Client Service: 44 20 7772 5454



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